TOWN OF PARRSBORO

WATER UTILITY

FINANCIAL STATEMENTS

DECEMBER 31, 1985

Jorgensen
& Bickerton
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

His Worship the Mayor
and Members of the Council
of the Town of Parrsboro.

We have examined the Operating Fund and Capital Fund balance sheets of the Water Utility of the Town of Parrsboro as at December 31, 1985, and the related statements of operations and capital financing for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Water Utility of the Town of Parrsboro as at December 31, 1985, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia Municipalities and Water Utilities applied on a basis consistent with that of the preceding year.

Registered Municipal Auditor.

Amherst, Nova Scotia

February 12, 1986

Jorgensen & Bickerton
CHARTERED ACCOUNTANTS

TOWN OF PARRSBORO

WATER UTILITY

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Operating revenue		
Metered sales	$ 140	$ 1,204
Flat rate sales	72,559	68,072
Public fire protection	34,200	32,900
Sundry	-	1,423
	106,899	103,599
Operating expenditures		
Source of supply	282	947
Pumping	10,693	10,482
Water treatment	2,205	1,433
Transmission and distribution	18,048	15,085
Administrative and general	12,834	10,486
Depreciation of utility plant	12,534	12,920
Taxes	5,817	5,816
	62,413	57,169
Operating profit	44,486	46,430
Non operating revenue		
Interest	9,658	5,624
Other	415	-
Transfer of excess funds from water capital	-	20,813
	10,073	26,437
Non operating expenditures		
Debt charges		
Principal	7,500	7,500
Interest	6,107	7,110
Water rate study	1,710	2,000
Capital expenditure out of revenue	4,469	-
	19,786	16,610
Excess of revenue over expenditures	34,773	56,257
Surplus (deficit), beginning of year	35,444	(20,813)
Surplus, end of year	$ 70,217	$ 35,444

TOWN OF PARRSBORO

WATER UTILITY

OPERATING FUND BALANCE SHEET

DECEMBER 31, 1985

ASSETS

	1985	1984
Cash	$ 60,862	$ 24,213
Receivables		
Rates	1,706	915
Other	1,848	505
	3,554	1,420
Prepaid expenses	-	260
Inventories, at cost	14,025	11,425
Deferred charges - water rate study	-	1,710
	$ 78,441	$ 39,028

LIABILITIES

Payables and accruals - trade	$ 7,670	$ 3,164
Deferred revenue - prepaid water rates	354	220
- customer deposits	200	200
	554	420

EQUITY

Surplus	70,217	35,444
	$ 78,441	$ 39,028

ON BEHALF OF THE TOWN OF PARRSBORO

S Blair — Mayor

A M Bacon — Clerk

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CHARTERED ACCOUNTANTS

TOWN OF PARRSBORO

WATER UTILITY

CAPITAL FUND BALANCE SHEET

DECEMBER 31, 1985

ASSETS

	1985	1984
Cash	$ 68,360	$ 55,826
Depreciation (Note 2)	-	1,312
Other	827,168	821,299
Utility plant in service	443	531
Unamortized debenture discount		
	$895,971	$878,968

LIABILITIES

Term debt (Note 3)		
Debenture issued to Provincial Government or its agencies		
Municipal Finance Corporation	$ 37,500	$ 45,000
Accumulated allowance for depreciation		
Funded	68,360	55,826
Invested in plant	42,949	42,949
	111,309	98,775

EQUITY

Investment in Capital Assets	747,162	735,193
	$895,971	$878,968

ON BEHALF OF THE TOWN OF PARRSBORO

S [illegible] Mayor

[illegible] Clerk

Jorgensen & Bicherton
CHARTERED ACCOUNTANTS

TOWN OF PARRSBORO

WATER UTILITY

UTILITY PLANT AND EQUIPMENT

DECEMBER 31, 1985

	1985	1984
Land and land rights		
Source of supply	$ 65,093	$ 65,093
Reservoir	58,853	58,853
Structure and improvements		
Source of supply	94,125	94,125
Equipment		
Pumping	93,311	93,311
Water treatment	40,657	40,657
Tools and work equipment	9,606	9,606
Other equipment	47,483	47,483
Mains		
Transmission	133,048	133,048
Distribution	237,584	236,459
Hydrants	43,923	42,664
Work in progress	3,485	-
	$827,158	$821,299

TOWN OF PARRSBORO

WATER UTILITY

STATEMENT OF INVESTMENT IN CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Balance, beginning of year	$735,193	$727,693
Term debt retired	7,500	7,500
Capital out of revenue	4,469	-
Balance, end of year	$747,162	$735,193

TOWN OF PARRSBORO

WATER UTILITY

SCHEDULES TO STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1985

	1985	1984
Source of supply		
Supplies and expenses	$ 282	$ 947
Pumping		
Power	$ 10,515	$ 10,311
Maintenance	178	171
	$ 10,693	$ 10,482
Water treatment		
Supplies and expenses	$ 2,205	$ 1,433
Transmission and distribution		
Supervision and engineering	$ 13,997	$ 12,960
Maintenance of mains	4,051	2,125
	$ 18,048	$ 15,085
Administrative and general		
Supervision	$ 6,474	$ 5,994
Consumer billing and accounting	486	227
Uncollectable accounts	601	-
General office expense	1,962	946
Audit	3,000	3,000
Regulatory expense	300	300
Miscellaneous general expense	11	19
	$ 12,834	$ 10,486

TOWN OF PARRSBORO

WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed for Nova Scotia municipalities by the Department of Municipal Affairs, and for water utilities by the Board of Commissioners of Public Utilities.

(a) Revenue and expenditure

Major revenue and expenditure items are recorded on an accrual basis.

Certain sources of revenue, including forfeited discounts or interest on past due rates, are recorded on a cash basis.

Principal and interest payments relating to long term debt are recorded as an expense when paid.

Interest earned on depreciation funds is recorded as non-operating revenue in the water utility operating fund.

(b) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting rates receivable outstanding.

(c) Property and equipment

Capital assets and projects in progress are recorded at cost. Interest incurred during construction on significant water capital projects is capitalized. Interest is calculated at the prevailing prime rate for projects temporarily funded by general or water utility operations. Funds received through capital assistance programs, cost-sharing arrangements or loan forgiveness after January 1, 1985, are treated as additions to the deferred assistance.

(d) Depreciation

Depreciation of fixed assets is recorded in the Water Capital Fund calculated on a formula prescribed by the Public Utilities Board. Depreciation is not recorded on fixed assets donated to the water utility after January 1, 1985. Approval has been obtained from the Public Utilities Board to continue recording depreciation on fixed assets donated prior to January 1, 1985.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. Accounting policies (cont'd)

(d) Depreciation (cont'd)

The depreciation charge in the Water Operating Fund is transferred to a special bank account in the Water Capital Fund which is used to help fund replacement of existing plant and equipment, or subject to approval by the Public Utilities Board, to repay principal of capital debt.

2. Depreciation fund

	1985	1984
Cash, beginning of year	$ 55,826	$ 42,906
Add: Depreciation	12,534	12,920
Cash, end of year	$ 68,360	$ 55,826

3. Long term debt

Principal repayments required during the next five years are as follows:

1986	$ 7,500
1987	$ 7,500
1988	$ 7,500
1989	$ 7,500
1990	$ 7,500

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SCHEDULE OF CAPITAL DEBT CHARGES AND TERM DEBT

DECEMBER 31, 1985

	Due	Balance Dec. 31/84	Redeemed	Balance Dec. 31/85	Interest	Interest Rate
Debenture Municipal Finance Corporation	1990	$ 45,000	$ 7,500	$ 37,500	$ 6,107	13 3/8%

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SCHEDULE OF CAPITAL PROJECTS FUNDING

1985

	Total Capital Cost	Capital Bank Account	Capital out of Revenue
Distribution mains	$ 1,124	$ -	$ 1,124
Hydrants	1,259	-	1,259
Work in progress	3,486	1,400	2,086
	$ 5,869	$ 1,400	$ 4,469